Demand Management Innovation Allowance (DMIA) Annual Report 2012-13

Effective date: 3 February 2014

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Introduction

The DMIS as published by the AER in November 2008 aims to 'provide incentives for Distribution Network Service Providers to conduct research and investigation into innovative techniques for managing demand so that in the future, demand management projects may be increasingly identified as viable alternatives to network augmentation'

ActewAGL Distribution elected to investigate the impact of power factor correction at low voltage customer premises on distribution network demand under the above scheme. ActewAGL's proposal was reviewed by the AER and adopted in its 2009 distribution determination which approves an annual DMIA allowance of $100,000 for the control period. Additionally, as part of an agreement between ActewAGL Distribution and TransGrid, ActewAGL is entitled to recover $100,000 annually over the same period for DMIS related project costs.

This report provides an update on the progress of ActewAGL Distribution's project to install power factor correction equipment at low voltage customer premises during the 2012-13 financial year.

Project Costs

The total amount spent on the PFC project during 2012-13 was $67,051. ActewAGL Distribution intends to claim half this amount, being $33,625, for approval under the 2012-13 DMIA. The other half of the project costs ($33,625) will be claimed from TransGrid. The application to Transgrid for this rebate has not been processed yet.

The following table summarises project costs for the four year period from 2009 to 2012.

Year	Project Costs	ActewAGL Distribution Contribution	TransGrid Contribution	Costs Claimed under DMIA	Costs Claimed from TransGrid for DMIA
2009-10	$28,640	$28,640	-	$28,640	-
2010-11	$16,723	$8,362	$8,361	$8,362	$9,843
2011-12	$39,349	$19,675	$19,674	$19,675	$13,551
2012-13	$67,051	$33,625	$33,625	$33,625	-
Total	**$151,763**	**$90,302**	**$61,660**	**$90,302**	**$23,394**

Costs incurred during 2012-13 are from direct labour with overhead costs associated primarily with two engineers over approximately three months and cost of engagement of a professional service provider.

Project Cost Allocation

The project scope and delivery is based upon the fixed cost allocation of $200,000/annum or $1,000,000 total till June 2014. This includes the DMIA contributions from both ActewAGL Distribution and TransGrid. Project costs include the following components:

Total project management cost including cost of project development, marketing & on-going administration for the whole DMIS is estimated to be approximately $260,000. Remaining funding under the DMIA ($740,000) is intended to provide incentive payments for installation of nominated equipment to the eligible customers. The basis of financial incentive to these customers is mainly on their proposed KVar reduction and its customer payback period.

Project Delivery to Date

The project is now in the implementation phase. Benefits to the customer and impact on the network will be assessed when this phase has been substantially completed, in early 2014.

There was a significant increase in customer interest (driven mostly by direct contact campaigns) towards the latter part of this reporting period with 42 sites confirming intent to proceed with installation of PFC equipment. It is anticipated that these sites will complete installation work by early 2014.The project forecast costs table below reflects this circumstance.

Project Activities Planned for 2013-14

The following table provides a financial overview of the project to date and planned activities and anticipated outcomes during the 2013-14 period.

	To Date	Forecast Cost			Total Forecast Project Cost - at end June 2014
		Jul-Dec 2013	Jan - Mar 2014	Apr - Jun 2014	
Incentive Payment to Customers	-	$12,000	$62,600	$393,000	$467,600
ActewAGL overheads	$151,760	$80,000	$15,000	$15,000	$261,760
Total	**$151,760**	**$92,000**	**$77,600**	**$408,000**	**$729,360**

DMIA Allowance	$90,300	$46,000	$77,600	$286,100	$500,000
Transgrid Contribution	$23,394	Pending further discussions with Transgrid on funding arrangement			

3 February 2014

Mr Chris Pattas
General Manager
Network Operations and Development
Australian Energy Regulator

By email: AERInquiry@aer.gov.au

Dear Mr Pattas

Demand Management Incentive Scheme Report for 2012/13

ActewAGL Distribution is pleased to provide the attached 2012/13 Demand Management Incentive Scheme report, in accordance with the requirements in the Australian Energy Regulator's (AER's) Regulatory Information Notice (RIN) served on the ActewAGL Distribution partnership on 28 September 2012.

The 2012/13 project costs (shown on page 3 of the report) have been reported to the AER as an amendment to the December 2013 RIN response (template 20) on 31 January 2013. These figures were audited by Deloitte, in accordance with the requirements in Appendix C of the RIN.

Any queries regarding the report should be directed to Peter Cunningham, Senior Regulatory Manager, on 02 6293 5108 or 0477 356 835.

Yours sincerely

Stephen Devlin

General Manager

Asset Management